

Message Text

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ACTION EB-06

INFO OCT-01 ARA-06 ISO-00 SP-02 AID-05 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-06 LAB-01

SIL-01 FEA-01 INT-05 SCI-02 PA-01 PRS-01 USIA-06

NEA-06 AF-04 DRC-01 /088 W
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R 151920Z OCT 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 6025

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FOLLOWING MSG SENT ACTION BRASILIA INFO SAO PAULO FROM RIO DE
JANEIRO 15 OCT 74 REPEATED FOR YOUR INFO

QTE

RIO DE JANEIRO 3867

E.O. 11652: N/A

TAGS: EMIN, BR

SUBJECT: BRAZILIAN PARTICIPATION IN IRON ORE CLUB

REF: BRASILIA 7853

1. CVRD PRESIDENTIAL ADVISOR PHONED CONGEN OFFICER LATE
FRIDAY, OCTOBER 11, TO DISCUSS REF SUBJECT. FORMER
CONFIRMED THAT MINISTER UEKI, CVRD PRESIDENT REIS AND
ITAMARATY OFFICIALS PLAN TO ATTEND IRON ORE PRODUCERS
MEETING. WHETHER MEETING WILL BE HELD INCARACAS OR
GENEVA HAS NOT BEEN DECIDED. AFTER THESE PRELIMINARY
REMARKS, CVRD PRESIDENTIAL ADVISOR STATED, IN CAREFULLY
MEASURED PHRASES, HIS COMPANY'S ATTITUDE TOWARD PROPOSED
IRON ORE PRODUCERS ORGANIZATION.

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2. PRESSURE HAS BEEN GROWING AMONG PRODUCERS TO FORM AN ORGANIZATION PATTERNED AFTER THAT OF OPEC. POSSIBILITIES ARE QUITE HIGH, THEREFORE, THAT IRON ORE PRODUCES MAY FORM SOME TYPE OF ORGAN AT THEIR FORTHCOMING MEETING. THE PRECISE STRUCTURE, OBJECTIVES AND POWER OF SUCH AN ORGAN MUST STILL BE DETERMINED. THE ORGAN MAY BE MERELY A FORUM FOR EXCHANGING INFORMATION, OR IT MAY BE AN AGGRESSIVE BODY DESIGNED TO SUPPORT INTERNATIONAL IRON ORE PRICES. VENEZUELA, INDIA AND PERU ARE PRESSING TO GIVE THE PROPOSED ORGAN STRONG POWERS AND AN AGGRESSIVE ROLE SIMILAR TO THAT OF OPEC. BRAZIL WILL ENTER FORTHCOMING MEETING UNCOMMITTED, WAITING TO SEE WHAT POSITION SUCH OTHER MAJOR PRODUCERS AS SOUTH AFRICA WILL ADOPT.

3. IN ESSENCE, HOWEVER, BRAZIL IS NOT AS RADICAL AS VENEZUELA OR PERU. IT BELIEVES IRON ORE PRICE INCREASES HAVE LAGGED BEHIND THOSE OF STEEL PRODUCTS. RECENT RISE IN IRON ORE PRICE IS A FUNCTION OF CURRENT INFLATIONARY TRENDS IN COMMODITY MARKETS; IT DOES NOT COMPENSATE FOR HISTORICAL LAG. BRAZIL WOULD LIKE TO SEE A FURTHER RISE IN IRON ORE PRICES. IT RECOGNIZES, HOWEVER, THAT IRON ORE PRODUCERS, LACKING OPEC'S STRONG BARGAINING POSITION, CANNOT FORCE A PRICE INCREASE COMPARABLE TO THAT OBTAINED BY OPEC. IN EFFECT, IRON ORE PRODUCERS MUST WORK UNDER A FAR TIGHTER PRICE CEILING CONSTRAINT THAN DO PETROLEUM PRODUCERS BECAUSE OF THE GREATER AVAILABILITY OF IRON ORE DEPOSITS. INDEED, FOR IRON ORE PRICE INCREASES TO BE FULLY EFFECTIVE AND LASTING, PRODUCER NATIONS SHOULD COORDINATE WITH CONSUMER COUNTRIES.

4. CONGEN OFFICER QUESTIONED WHETHER PRODUCER COUNTRIES ARE TAKING SMILAR STEPS IN THE ALUMINUM AREA. CVRD PRESIDENTIAL ADVISOR STATED COMPANY HAD NOT YET ENTERED SERIOUSLY INTO THAT FIELD. HE NOTED, NEVERTHELESS, THAT ALUMINUM METAL PRICES HAD INCREASED DISPROPORTIONATELY RELATIVE TO BAUXITE PRICES. ALUMINUM MANUFACTURERS, IN EFFECT, HAVE FORMED A SILENT CARTEL ENABLING THEM TO CONTROL PRICES AND TO AUGMENT THEIR PROFITS AT THE EXPENSE OF MINERAL EXPORTERS. BAUXITE PRODUCERS, THEREFORE, WOULD BE JUSTIFIED IN SEEKING A SIGNIFICANT PRICE INCREASE. MILLER UNQTE LIMITED OFFICIAL USE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IRON, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL07891
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740293-0498
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741045/aaaabmrb.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: BRASILIA 7853
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUN 2002 by elyme>; APPROVED <18 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BRAZILIAN PARTICIPATION IN IRON ORE CLUB
TAGS: EMIN, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005